

Financial Statements of

**Saskatchewan Association of Health Organizations
Group Life Insurance Plan**

December 31, 2010





Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

SASKATCHEWAN

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Saskatchewan Association of Health Organizations

I have audited the accompanying financial statements of Saskatchewan Association of Health Organizations Group Life Insurance Plan (Plan), which comprise the statement of financial position as at December 31, 2010 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Bonnie Lysyk, MBA, CA-CIA
Provincial Auditor

Regina, Saskatchewan
May 19, 2011



Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

SASKATCHEWAN

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Saskatchewan Association of Health Organizations Group Life Insurance Plan (Plan), which comprise the statement of financial position as at December 31, 2010 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Bonnie Lysyk, MBA, CA•CIA
Provincial Auditor

Regina, Saskatchewan
May 19, 2011

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
GROUP LIFE INSURANCE PLAN
Statement of Financial Position**

As at December 31

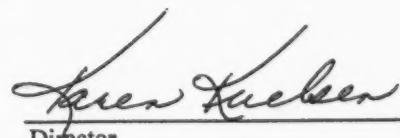
	2010	2009
ASSETS		
Short term investments (Note 3)	\$ 2,664,585	\$ 1,229,502
Investments designated for life waivers (Note 3)	20,960,539	17,057,854
Receivable from Great West Life Assurance Company (Note 5)	453,243	847,282
Receivable from SAHO (Note 7)	10,771	10,248
Member premiums receivable (Note 7)	3,916	824
TOTAL ASSETS	24,093,054	19,145,710
LIABILITIES AND NET DEFICIT		
Current Liabilities:		
Accounts payable (Note 7)	476,628	856,644
Provision for disabled life waivers (Note 6)	19,915,000	20,988,000
Total Liabilities	20,391,628	21,844,644
Net Assets / (Deficit)	3,701,426	(2,698,934)
TOTAL LIABILITIES AND NET ASSETS	\$ 24,093,054	\$ 19,145,710

See accompanying notes

On behalf of the SAHO Board of Directors:



Director



Karen Kueken

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
GROUP LIFE INSURANCE PLAN
Statement of Operations and Net Assets
For the year ended December 31

	2010	2009
REVENUES		
Member premiums (Schedule 1)	\$ 12,736,781	\$ 12,012,277
Interest and dividend income	1,166,796	531,614
Other income	65,631	60,957
Total Revenues	13,969,208	12,604,848
EXPENSES		
Premiums expense (Schedule 1, Note 5)	9,420,111	9,690,588
Change in provision for unpaid claims (Note 8)	66,866	52,459
Change in provision for disabled life waivers (Note 6)	(1,073,000)	2,252,000
Administrative expenses	541,686	481,154
Total Expenses	8,955,663	12,476,201
Revenues over expenses	5,013,545	128,647
Deficit, beginning of year	(2,698,934)	(5,378,061)
Investment Valuation Adjustment		
Unrealized gain on investments	1,386,815	2,550,480
Change in Investment Valuation Adjustment	1,386,815	2,550,480
NET ASSETS, END OF YEAR	\$ 3,701,426	\$ (2,698,934)

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
GROUP LIFE INSURANCE PLAN
Statement of Cash Flows
For the year ended December 31

	2010	2009
OPERATING ACTIVITIES		
Member premiums received	\$ 12,798,798	\$ 12,068,564
Premiums applied to benefit lines	(9,560,908)	(9,136,551)
Administrative expenses paid	(530,904)	(512,275)
 Net cash flows from operating activities	2,706,986	2,419,738
INVESTING ACTIVITIES		
Sale of investments	530,904	542,977
Investment income received	1,164,755	524,777
Purchase of investments	(4,481,858)	(4,425,365)
Withdrawals from the Refund Deposit Accounts	3,823,166	3,812,776
Transfers into the Refund Deposit Accounts	(3,743,953)	(2,874,903)
 Net cash flows used in investing activities	(2,706,986)	(2,419,738)
Net change in cashflow	-	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	\$ -	\$ -

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
GROUP LIFE INSURANCE PLAN
Notes to the Financial Statements
December 31, 2010

1. DESCRIPTION OF PLAN

a) Effective date

The Saskatchewan Association of Health Organizations (SAHO) Group Life Insurance Plan (the Plan) was established in 1967.

b) Purpose of Plan

The Plan is a multi-employer defined benefit plan, which is funded on a cash basis by contributions from participating members and if required, by their respective employees. SAHO's role is to administer the Plan (the Administrator) on behalf of the eligible employees of participating member organizations. SAHO is also a participating member of the Plan. The purpose of the Plan is to provide members with Basic Life Insurance and Basic Accidental Death and Dismemberment (AD&D) Insurance. As well, members of the Plan have the option to enhance their coverage through the purchase of additional insurance including Optional Life, Voluntary AD&D, and Dependent Life.

The Administrator has negotiated insurance policies with Great-West Life Assurance Company (GWL), which substantially transfers the majority of the insurance risk of the Plan to GWL, except that the Plan remains responsible for the premiums for disabled employees. The Plan provides that disabled employees of a participating member organization are not required to pay premiums for their group life insurance coverage. The Plan estimates and records a liability as calculated by an actuary, for those waived premiums as a Provision for disabled life waivers as described in further detail in Note 6.

c) Eligibility

The Plan is available to employees of contributing member organizations of SAHO with certain restrictions based on hours of work as determined by established Plan criteria.

d) Premiums

Member organizations send their premiums directly to GWL. The current monthly premium rates for Basic Life and Basic AD&D Insurance is \$0.220 per \$1,000 of coverage; Optional Life Insurance ranges from \$0.044 to \$1.050 per \$1,000 of coverage depending on the employee's age and whether they smoke; Voluntary AD&D Insurance is \$0.020 per \$1,000 for single coverage or \$0.04 per \$1,000 for family coverage; and Dependent Life Insurance is \$5.62 for both \$10,000 spouse coverage and \$2,500 dependent coverage. Premium cost sharing arrangements between the employers and employees vary from employer to employer according to their respective personnel and/or collective bargaining agreements.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

GROUP LIFE INSURANCE PLAN

Notes to the Financial Statements

December 31, 2010

1. DESCRIPTION OF PLAN (continued)

d) Premiums (continued)

Eligible retiring employees under the age of 65 have the option to continue their basic and optional coverage levels to age 65, upon payment of the premiums due. Those retiring employees who do not exercise this option or retiring employees who are age 65, can choose to receive a \$1,500 paid-up life insurance certificate which is payable to their beneficiary upon death. The cost of the paid-up policy is included in the Basic Life premium.

Insurance premiums are waived for employees who become disabled under the terms and conditions of the Plan. The cost of waived premiums is covered by the Plan.

Schedule 1 presents member premiums remitted to and applied by GWL during the year by line of insurance.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Financial instruments

All financial instruments that are financial assets and financial liabilities have been identified and classified. The classification determines how each financial instrument is measured. The Plan's financial instruments and their classifications were determined by the Administrator:

(i) Short term investments

Short term investments are classified as held-for-trading and are measured at fair value. The Plan's short term investments consist of units of a Canadian money market fund (the Fund). Fair value is determined based on the published quote for the Fund. The Plan selected held-for-trading as this classification reflects the Plan's investment intentions. Any changes in the fair value are recognized in the Statement of Operations and Deficit. Distributions from this fund in the form of interest income are recognized in income as they are earned. Transaction costs are expensed as incurred.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

GROUP LIFE INSURANCE PLAN

Notes to the Financial Statements

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) *Financial instruments (continued)*

(ii) Investments designated for life waivers

Investments designated for life waivers are classified as available-for-sale and are measured at fair value. The Plan selected available-for-sale as this classification reflects the Plan's investment intentions. Realized gains and losses are recorded in revenues or expenses when realized. Unrealized gains and losses are recorded separately in net assets until they are realized. Income on investments designated for life waivers is recognized in income as it is earned. Transaction costs are expensed as incurred.

(iii) Receivable from GWL, Receivable from SAHO, Member premiums receivable, and Accounts payable

Receivable from GWL, Receivable from SAHO, and Member premiums receivable are classified as loans and receivables. Accounts payable are classified as other liabilities. Each of these financial instruments is measured at amortized cost which approximates their fair value due to their short term nature.

b) *Premium revenue*

Premiums are recognized as revenue when due.

c) *Provision for disabled life waivers*

The provision for disabled life waivers represents the actuarial present value of the Plan's obligation with respect to Basic and Optional Life, Basic and Voluntary AD&D and Optional Dependent Life Insurance that has been continued without premiums for members of the Plan who are disabled. Any resulting change in this provision is recognized as a revenue or expense in the statement of operations and deficit.

d) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

GROUP LIFE INSURANCE PLAN

Notes to the Financial Statements

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Future accounting standards

The Accounting Standards Board (AcSB) requires all publicly accountable enterprises (PAE's) to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The AcSB has stated that pension plans (as defined below) are PAE's; however, it has mandated that these plans will follow Section 4600 *Pension Plans*, of the CICA Handbook, rather than the applicable IFRS standard.

Section 4600 *Pension Plans*, is effective for fiscal years beginning on or after January 1, 2011 and is to be applied retrospectively to all prior periods presented. The Section applies not only to pension plans but also to benefit plans with characteristics similar to pension plans that provide benefits other than pensions (for example, retiree health care and life insurance benefits, long-term disability plans, and master trusts). This new Section is applicable to the Plan for its fiscal year commencing on January 1, 2011. The adoption of this new Section is not expected to have a material impact on the financial statements of the Plan as the majority of the new items are disclosure related items.

3. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Credit risk

Credit risk arises from the potential for issuers of securities and counterparties to default on their contractual obligations. The following policies and procedures are in place to manage this risk:

- The Plan limits the credit risk by dealing with issuers that are considered to be investment-grade quality and minimize undue concentration of assets in any single geographic area, industry and company;
- The Board of Directors has adopted Investment Policies & Procedures whereby the Plan's investments are distributed among several classes of assets to reduce investment volatility;
- Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by external credit rating agencies; and
- Portfolios are monitored continuously and reviewed regularly with the SAHO Board of Directors.

Short term investments consist of an investment in the Fund that invests in Canadian dollar denominated debt instruments, such as treasury bills of Canadian governments,

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
GROUP LIFE INSURANCE PLAN**
Notes to the Financial Statements
December 31, 2010

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

a) Credit risk (continued)

bankers' acceptance of Canadian chartered banks and commercial paper of corporations and/or trusts. The Plan requires a minimum credit rating of R1 mid or equivalent. Earnings in the Fund are reinvested. The portfolio is monitored continuously and reviewed regularly by SAHO's Board of Directors.

Investments designated for life waivers consist of investments in an institutional balanced trust (the Trust), which is a pooled fund that invests in fixed income securities and equities. Earnings in the Trust are reinvested. The investment objective as contained in the Trust's investment policy is long-term capital appreciation with the following target asset mix:

Fixed income securities	40%
Canadian equities	30%
Money Markets	5%
U.S. and International equities	<u>25%</u>
	<u>100%</u>

The Plan's maximum credit risk exposure related to financial assets is as follows:

Short term investments	\$ 2,664,585
Investments designated for life waivers	20,960,539
Receivable from Great West Life Assurance Company	453,243
Member Premium Receivable	3,916
Receivable from SAHO	10,771
	\$ 24,093,054

The Plan is exposed to credit risk from the potential non-payment of the receivable from GWL, but the Plan does not anticipate such an event to occur considering GWL's recent Standard & Poor's credit rating of AA. The Plan is exposed to minimal credit risk from the potential non-payment of the receivable from SAHO as this receivable is from a related party (Note 7) and is collected monthly.

Determination of fair value

The best evidence of a fair value is from an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

GROUP LIFE INSURANCE PLAN

Notes to the Financial Statements

December 31, 2010

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

a) *Credit risk (continued)*

readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

- Level 1 – quoted prices in active markets are readily available.
- Level 2 – valuation models using observable market inputs other than quoted market prices.
- Level 3 – models using inputs that are not based on observable market data.

All fair values of the short term investments and investments designated for life waivers of the Plan at December 31, 2010 and December 31, 2009 used Level 1 basis of fair values.

b) *Liquidity risk*

Liquidity risk is the risk that the Plan will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to mitigate this risk:

The objective of the Plan is to maintain sufficient assets to discharge future obligations and to generate cash flow required to cover the premiums for each insurance category.

The level of incoming contributions is reviewed regularly to ensure they support the current required premiums and to service future obligations. Current contribution rates for the Plan are described in Note 1 d).

The estimated contractual maturities of the Plan's financial liabilities at December 31, 2010 are:

- up to three months for accounts payable; and
- Provision for disabled life waivers does not have a contractual maturity and are payable once a claim is made by the Plan.

c) *Interest rate risk*

Interest rate risk refers to the adverse consequences of interest rate changes on cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the investments

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

GROUP LIFE INSURANCE PLAN

Notes to the Financial Statements

December 31, 2010

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

c) *Interest rate risk (continued)*

owned by the Plan could be impacted by changes in this risk which then impacts the value of the Investments designated for life waivers on the Statement of Financial Position and the unrealized gain or loss on investments on the Statement of Operations and Deficit.

The Plan's actuary for the disabled life waivers has calculated the following at December 31, 2010:

- A 100 basis point (bps) increase in the discount rate would decrease both the provision for disabled life waivers obligation and provision for disabled life waivers expense by approximately \$888,000;
- A 100 bps decrease in the discount rate increases the same provision and expense by approximately \$691,000.

d) *Foreign currency risk*

Foreign currency exposure arises within the Trust which invests in foreign equities and bonds. This risk is due to some of the Trust's investments being in non-Canadian dollars. Converting these non-Canadian dollar transactions occurs at different points in time, at different foreign exchange levels, when adverse changes in foreign currency exchange rates may occur. These changes in turn, may impact the market value of the Trust's units which are priced in Canadian dollars.

e) *Equity risk*

Equity risk is the uncertainty associated with the valuation of assets from changes in the equity markets. The Plan is exposed to market risk due to its investment in the Trust.

4. CAPITAL MANAGEMENT

The primary objective of capital management for the Plan is to maintain an adequate balance in its short term investment and life waiver investment portfolios which are used to assist in achieving consistency and stability in funding. This funding is then available to the Plan to pay current administrative expenses and the waived premiums for members who are disabled. The Plan is not subject to any externally imposed capital requirements.

The Plan's only source of cash is the contributions received from the employers' that are enrolled in the Plan (see Note 1 d). Contribution levels are reviewed regularly to ensure they support the expenditures of the Plan. Neither the Administrator nor the contributing members/employees contribute any other cash to the Plan. Also, the Plan cannot go to public capital markets to issue debt or common shares.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

GROUP LIFE INSURANCE PLAN

Notes to the Financial Statements

December 31, 2010

5. RECEIVABLE FROM GREAT WEST LIFE ASSURANCE COMPANY

GWL maintains a number of excess reserve accounts, called refundable deposit accounts (RDA), which hold premiums collected in excess of those amounts required to service that particular insurance line by GWL for an individual policy year. These RDA's are used by GWL under the direction of the Administrator, to supplement policy premiums, fund actuarial obligations, cover any future policy decisions such as reducing future premium increases, or to fund incurred claim deficits. The Callable RDA (CRDA) has to be maintained at \$250,000, which is then used to fund any in-year experience deficits of the Basic Life Insurance policy. If there is an in-year experience surplus, it is first applied to ensure that the CRDA is at its \$250,000 balance and any remaining excess is added to the Basic Life RDA along with Basic Life premiums.

Other RDA's held at GWL are: Optional Life RDA, and Paid-Up Life RDA. The balance in each RDA is available to be transferred to the Plan upon request after the end of each policy year. There is also an AD&D Excess reserve maintained at GWL.

The balance in the CRDA, each RDA and the AD&D excess reserve as at December 31 are:

	2010	2009
CRDA	\$ -	\$ -
RDA - Basic Life	(507,493)	(84,180)
RDA - Optional Life	101,097	136,621
RDA - Paid-Up Life	777,435	621,236
AD&D Excess Reserve	82,205	173,605
Total held at GWL	\$ 453,244	\$ 847,282

The RDA – Basic Life has been reduced by \$728,297 (2009 - \$661,431) for claims incurred but not reported prior to year-end (see Note 8).

6. PROVISION FOR DISABLED LIFE WAIVERS

The provision for disabled life waivers is the actuarial valuation prepared by Mercer (Canada) Limited as at December 31, 2010 and 2009. These valuations are used to determine the Plan's obligation in respect of providing coverage to disabled employees whose premiums have been waived prior to year end.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
GROUP LIFE INSURANCE PLAN
Notes to the Financial Statements
December 31, 2010

6. PROVISION FOR DISABLED LIFE WAIVERS (continued)

The actuarial present value of future benefits as at December 31 consists of:

	2010	2009
Basic Life	\$ 13,514,000	\$ 14,103,000
Optional Life	6,079,000	6,548,000
Dependent Life	135,000	140,000
Accidental Death and Dismemberment	135,000	140,000
Voluntary Accidental Death and Dismemberment	52,000	57,000
	\$ 19,915,000	\$ 20,988,000

The principal components that changed in the actuarial valuation during the year were:

	2010	2009
Actuarial valuation, beginning of year	\$ 20,988,000	\$ 18,736,000
Cost of net new claims	2,654,000	4,198,000
Interest accrued on benefits	1,019,000	1,286,000
Expected benefit payments	(4,301,000)	(4,119,000)
Change in actuarial assumptions	(445,000)	887,000
Actuarial valuation, end of year	\$ 19,915,000	\$ 20,988,000

The Plan's obligation to provide coverage to disabled employees whose premiums have been waived is subject to measurement uncertainty, being based on a number of assumptions. The actual experience may vary significantly from the assumptions used.

The actuarial valuations were based on the following assumptions:

- Canadian LTD termination experiences 1988 – 1997 study as published by the Canadian Institute of Actuaries on January 19, 2010;
- Discount rate 6.00% (2009 – 5.05%) based on high quality fixed income securities that have a similar duration to the provision;
- Expenses and taxes rate of 8.00% (2009 – 8.00%);
- Basic AD&D and Dependent Life reserves each use 1.00% (2009 – 1.00%) of the Basic Life actuarial reserve respectively;
- Voluntary AD&D reserve uses 1.00% (2009 – 1.00%) of the Optional Life actuarial reserve adjusted for volume differences; and

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
GROUP LIFE INSURANCE PLAN**
Notes to the Financial Statements
December 31, 2010

6. PROVISION FOR DISABLED LIFE WAIVERS (continued)

- Claims incurred but not reported: annual incidence rate of 15 claims per 1,000 employees (2009 – 15 claims per 1,000 employees), average reporting lag of five months (2009 – average reporting lag of five months); average volume of \$112,600 (2009 – \$113,200) and 38,400 employees (2009 – 38,250 employees).

The following illustrates the effect of changes in the following assumptions on the provision for disabled life waivers:

Modified assumption	% change	\$ impact on provision
Valuation mortality	10% decrease	\$1,868,000 decrease
	10% increase	\$1,858,000 increase
Valuation recoveries	10% decrease	\$405,000 increase
	10% increase	\$652,000 decrease
New claims	10% decrease	\$306,000 decrease
	10% increase	\$306,000 increase

The Plan's provision for disabled life waivers in respect of providing coverage to disabled employees whose premiums have been waived is long term in nature. There is no active market for settling this obligation; therefore, it is not practical to determine the fair value of the Plan's obligation.

7. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Plan is indirectly related to various Saskatchewan Crown Agencies such as ministries, corporations, boards, and commissions under the common control of the Government of Saskatchewan. The Plan is also indirectly related to non-Crown enterprises that the Government jointly controls or significantly influences. Transactions with these related parties are in the normal course of operations. They are recorded at the agreed upon exchange rates and are settled on normal trade terms.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

GROUP LIFE INSURANCE PLAN

Notes to the Financial Statements

December 31, 2010

7. RELATED PARTY TRANSACTIONS (continued)

All of the Plan's administrative expenses are paid by the Administrator. At year-end, amounts reimbursed to SAHO and the recorded amounts of these transactions and amounts due to or from other related parties as a result of the transactions referred to above, are included in the financial statements and the following table:

	2010	2009
Receivable from SAHO	\$ 10,771	\$ 10,248
Member premiums receivable	3,916	824
Accounts Payable to SAHO	476,005	856,240
Administrative expenses	334,771	297,510

In addition, the Plan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

8. CHANGE IN PROVISION FOR UNPAID CLAIMS

On an ongoing basis, GWL estimates and holds in reserve amounts for claims incurred but not reported (IBNR) at year-end (see Note 5). In case of policy termination, GWL will pay IBNR claims reported within three months of the policy termination from the reserve. Any further IBNR claims reported after three months of policy termination become the responsibility of GWL. GWL will keep an amount equal to 1.54% of the annualized premium to cover the additional unreported claims. The remaining amount held in reserve will be returned to the Plan.

9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATION
GROUP LIFE INSURANCE PLAN**

Schedule 1 - Member Premiums Remitted and Applied

For the year ended December 31

	Basic Life	Basic AD&D	Optional Life	Dependent Life	Voluntary AD&D	Paid-Up Life	2010	2009
Plan premiums								
Member premiums	\$ 8,014,267	\$ 872,410	\$ 2,506,039	\$ 275,364	\$ 373,022	\$ 691,763	\$ 12,732,865	\$ 12,011,454
Member premiums receivable	3,916	-	-	-	-	-	3,916	824
	8,018,183	872,410	2,506,039	275,364	373,022	691,763	12,736,781	12,012,278
Premiums paid to GWL								
Premium owing to GWL	6,138,338	436,205	1,826,082	233,224	373,022	-	9,006,871	8,887,376
Premium expense	413,240	-	-	-	-	-	413,240	803,212
	6,551,578	436,205	1,826,082	233,224	373,022	-	9,420,111	9,690,588
Premiums applied:								
- to GWL	6,138,338	436,205	1,826,082	233,224	373,022	-	9,006,871	8,887,376
- to Refund Deposit Account	1,879,845	-	-	-	-	691,763	2,571,608	2,316,974
- to AD&D Excess	-	436,205	-	-	-	-	436,205	407,187
- to Optional Life Refund Deposit Account	-	-	679,957	42,140	-	-	722,097	400,741
	\$ 8,018,183	\$ 872,410	\$ 2,506,039	\$ 275,364	\$ 373,022	\$ 691,763	\$ 12,736,781	\$ 12,012,278

**See accompanying notes*